



Regulation Best Interest Disclosure

This guide summarizes important information concerning the scope and terms of the brokerage services we offer and details the material conflicts of interest that arise through our delivery of brokerage services to you. We encourage you to review this information carefully, along with any applicable account agreement(s) and disclosure documentation you may receive from us.

As you review this information, we would like to remind you that we are registered with the U.S. Securities and Exchange Commission (SEC) as a broker dealer, and a FINRA/SIPC member, providing brokerage services, and investment advisory services also. Our brokerage services are the focus of this guide. For additional information, please also refer to our Customer Relationship Summary (or Form CRS). Together, Form CRS contains important information about the types of services we offer along with general information related to compensation, conflicts of interest, disciplinary action and other reportable legal information. Information on the investment advisory services offered and how they differ from brokerage services, can be reviewed on Form CRS also, which is available at <https://www.macktracks.com/additional-links>.

Please carefully review and consider the information in each section below.

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Brokerage services

When you establish a brokerage account through us at our clearing firm RBC Correspondent Services, you have the ability to buy, sell and hold investments within your account. The primary service we provide is our trading capability. We execute purchases and sales on your behalf, and as directed by you. In a brokerage services relationship, we can trade with you for our own account, for an affiliate or for another client, and we can earn a profit on those trades. The capacity in which we act is disclosed on your trade confirmation. However, we are not required to communicate it in advance, obtain your consent, or inform you of any profit earned on trades.

We also are able to offer application-based brokerage services such as accounts held directly with mutual fund companies, variable annuities and subscription-based investments, such as Reg D offerings and 1035 exchanges.

Cash Brokerage and Margin Brokerage Accounts

We provide brokerage services through either a cash brokerage account or margin brokerage account, based on your eligibility and selection. In a cash brokerage account, you must pay for your purchases in full at the time of purchase. In a margin brokerage account, you must eventually pay for your purchases in full, but you may borrow part of the purchase price from our clearing firm, RBC Correspondent Services. This is generally referred to as a “margin loan.” The portion of the purchase price that is loaned to you is secured by securities in your account, also referred to as

“collateral.” You will incur interest costs as a result of your margin activity. While many securities are eligible to be used as collateral for a margin loan, some assets are not available for margin collateral purposes.

Given that a margin-enabled brokerage account has specific eligibility requirements, unique costs, and governing regulatory requirements, our default brokerage option is our cash brokerage account. You must execute a separate margin agreement before engaging in margin brokerage activity. Included with your margin agreement is a copy of the Margin Disclosure Statement. This statement contains important information you should understand and consider before establishing a margin brokerage relationship with us. For more information on our margin brokerage services, contact a Financial Professional (“FP”) or refer to the clearing firm’s Margin Disclosure Statement available at <https://www.macktracks.com/additional-links>.

Brokerage Account Types

We offer many different brokerage account types including individual and joint accounts, estate and trust accounts, partnership accounts, business accounts, individual retirement accounts and other types of retirement accounts as outlined in our account agreement(s). You should refer to the clearing firm’s account agreement(s) for more information concerning available account types or speak with a Financial Professional.

Incidental Brokerage Services, Recommendations and Account Monitoring

Within your brokerage account, we also provide other incidental services such as recommendations to buy, sell, or hold assets. When we make a securities recommendation, investment strategy recommendation or recommendation to rollover assets from your Qualified Retirement Plan (QRP) to an Individual Retirement Account (IRA), the recommendation is made in our capacity as a broker-dealer unless otherwise stated at the time of the recommendation. Any such statement will be made orally to you. Moreover, when we act in a brokerage capacity, we do not agree to enter into a fiduciary relationship with you.

It is important for you to understand that when our Financial Professionals make a brokerage recommendation to you, we are obligated to ensure the recommendation is in your best interest, considering reasonably available alternatives, and based on your stated investment objective, risk tolerance, liquidity needs, time horizon, financial needs, tax status, and other financial information you provide us. You may accept or reject any recommendation. It is also your responsibility to monitor the investments in your brokerage account, and we encourage you to do so regularly. We do not commit to provide on-going monitoring of your brokerage account. If you prefer on-going monitoring of your account or investments, you should speak with a Financial Professional about whether an advisory services relationship is more appropriate for you.

Please also consider that from time to time we may provide you with additional information and resources to assist you with managing your brokerage account. This may include but is not limited to educational resources, sales and marketing materials, performance reports, asset allocation guidance, and/or periodic brokerage account reviews. When we offer these services and information, we do so as a courtesy to you. These activities are not designed to monitor specific investment holdings in your brokerage account, they do not contain specific investment recommendations about investment holdings, and you should not consider them a recommendation to trade or hold any particular securities in your brokerage account. Upon your request, we will review such information and reports with you and may provide you with investment recommendations, but we are not under a specific obligation to do so.

Clearing Services

We have entered into an agreement with RBC Correspondent Services (also referred to herein as “Clearing Agent”) to carry your account and provide certain operational functions. We and the clearing firm share responsibilities with respect to your account. A RBC Customer Account Agreement & Disclosures document provides additional information when introducing your account to our clearing agent, along with disclosures set forth on the reverse of your RBC monthly and/or quarterly statement.

Understanding Risk

It is important for you to understand that all investment recommendations and activities involve risk, including the risk that you may lose your entire principal. Further, some investments involve more risk than other investments. Higher-risk investments may have the potential for higher returns but also for greater losses. The higher your “risk

tolerance,” meaning the amount of risk or loss you are willing and able to accept in order to achieve your investment goals, the more you may decide to invest in higher-risk investments offering the potential for greater returns. We attempt to align risk tolerances with investment needs to offer you different investment objectives from which to choose (see below). You should select the investment objective and risk tolerance best aligned with your brokerage account goals and needs.

Investment goals typically have different time horizons and different income and growth objectives. Generally, investment goals are on a spectrum, with “Income” investors typically holding the smallest percentage of higher-risk investments, followed by “Growth and Income” investors holding *some* higher-risk investments, and finally “Growth” investors holding a significant portion of their portfolio in higher-risk investments. Risk tolerance also varies and we measure it on a continuum that increases from “Conservative” to “Moderate” to “Aggressive,” and finally “Trading and Speculation.” See the chart below for details.

While the below may not be the same with each of our relationships, it should help to remind you of how we view these terms.

We also understand that in some situations, your consideration of multiple objectives may be appropriate. In those cases, you may have checked several boxes on your paperwork. We also view the risk parameters as generally indicating the limits of your comfort (eg. willing to speculate). Please remember, securities go up and down in value and could cause you losses that may be more than you can accept. You should monitor your accounts at least monthly and let us, and/or your Financial Professional representative, know if your objectives and risk limits have changed or if you feel you would like to modify how you are invested.

Characteristics of terms

Risk:

Conservative (Minimal Risk)	I am willing to accept minimal risk, even if that means my investment does not generate significant income or returns and may not keep pace with inflation.
Moderate (Low Risk)	I am willing to accept low risk, including low volatility, and understand I could lose a modest amount of my investment.
Moderate (Moderate Risk)	I am willing to accept moderate risk, including some volatility, to seek higher returns and understand I could lose a portion of my investment.
Aggressive (High Risk)	I am willing to accept high risk, including high volatility, and I understand I could lose a substantial amount of my investment.
Speculative (Maximum Risk)	I am willing to accept maximum risk and understand I could lose all of my investment.

Objectives:

New Investment Objective	Definition
Income (Preservation of Principal/ Income)	The focus is on preserving principal and generating current income.
Growth/Income (Balanced Growth)	The focus is on generating current income and/or long-term capital growth.
Growth (Growth)	The focus is on generating long-term capital growth.
Speculation (Aggressive Growth/ Aggressive Income)	The focus is on generating growth and/or income at greater than market rates.
Speculation (Speculation)	The focus is on generating maximum possible returns.

Time Horizon:

Short Term	1-3 Years
Intermediate Term	4-10 Years
Long Term	10+ Years

Our recommendations are based in part on your risk tolerance and investment objective as outlined above. We encourage you to carefully consider your investment objective and risk tolerance before investing and on an ongoing basis.

Cash Sweep Program Feature

Our brokerage services include a Cash Sweep Program feature. This program permits you to earn a return on uninvested cash balances in your brokerage account by allowing cash balances to be automatically “swept” into a “Cash Sweep Vehicle,” until such balances are otherwise required to satisfy obligations arising in your account. These Cash Sweep Vehicles include interest-bearing deposit accounts, and if permissible, money market mutual funds or such other sweep arrangements made available to you. Information about the Cash Sweep Program can be found in the **Cash Sweep Program Disclosure Statement** available at <https://www.macktracks.com/additional-links>. Please review that Disclosure Statement carefully.

Account Minimums and Activity Requirements

There is no minimum initial account balance required to open a brokerage account with us. However, if you either fail to fund your account or do not return account opening documents as required, your account will be closed. In addition, some types of brokerage accounts have minimum account activity requirements and/or minimum on-going balance requirements that must be maintained, or your brokerage account will be charged an inactivity fee and may be closed. These requirements are detailed in the account agreement(s) you receive when you open your brokerage account.

You should also understand that our Financial Professionals may establish their own minimum account balance requirements for the brokerage accounts they service. For example, a dedicated Financial Professional may choose to service only those brokerage account clients who satisfy account-specific or total household asset conditions. Minimum asset requirements are disclosed to you orally by your Financial Professional.

Brokerage service models and products

For those clients utilizing our brokerage services via an RBC Correspondent Services account, all investment advice, customer services, discussion of products and investment objectives, including the opening and monitoring of accounts, are handled by Mack Investment Securities. Services provided by RBC Correspondent Services:

- 1) Preparation and mailing of confirmations and monthly statements.
- 2) All cashiering functions including receipts, delivery and transfer of securities, handling of margin transactions and extension of credit, custody and safekeeping of securities and cash, collection of dividends and interest, and the handling of exchanges, tenders, and conversions.
- 3) Execution of listed and OTC trades upon transmission of orders from Mack Investment Securities, Inc.
- 4) Maintenance of the necessary and required books and records.
- 5) Reporting of the necessary and required transactions to our regulatory authorities. Reporting includes:
Trade Reporting and Compliance Engine (TRACE)
The Consolidated Audit Trail (CAT)
- 6) Brokerage services offered through our RBC relationship may be full service or self-directed. Unless specifically stated, our services offered should be considered self-directed. We will assist in the purchase and sale of securities including, where appropriate, stocks, bonds, CDs, mutual funds, Exchange Traded Products (ETPs) and other brokerage products.
- 7) Brokerage services are also offered directly through third party providers. These third-party providers include mutual funds and insurance companies (annuities, life insurance). These types of transactions are most often suggested by our financial professional.

Please direct all inquiries regarding your accounts for our broker services to our attention at:

211 Waukegan Road, Suite 300
Northfield, IL 60093
(847) 657-6600

Brokerage fees and our compensation

It is important to consider that while a brokerage relationship can be a cost-effective way of investing your assets, it is not for everyone given the fees and costs involved.

Transaction-Based Fees

You will pay transaction-based fees for trades and transactions you decide to enter into, such as buying and selling stocks, bonds, Exchange Traded Products (ETPs), mutual funds, annuity contracts, exercising options and other investment purchases and sale. These transaction-based fees are generally referred to as a “commission,” “mark up,” “sales load,” or a “sales charge.” Transaction-based fees are based on a host of factors, including, but not limited to:

- Underlying product selection
- Your brokerage service model and account type
- Size of your transaction and/or overall value of your account
- Frequency of your trade activity
- Available discounts and/or fee waivers

Account and Service Fees

You will pay fees for various operational services provided to you through your brokerage account. These fees are set at least annually and communicated to you through information included in your account statement and other notifications. These fees do not apply to all account types and may be waived under certain conditions.

You should understand that based on the brokerage service model you choose, the same or similar products, accounts and services may vary in the fees and costs charged to you. For more information concerning our administrative and service fees, visit us at <https://www.macktracks.com/additional-links>.

How We Are Compensated

We receive direct and indirect compensation in connection with your accounts. Direct compensation is taken directly from the respective account. Indirect compensation is compensation paid in ways other than directly from the account and may impact the value of the associated investments in your account. The sections below describe the compensation that we receive in connection with various investments that may be available to you. In many cases, the descriptions that follow refer to a prospectus or offering documents.

Financial Professional Schedules

Commission Schedule for Stocks, Rights, Warrants, Secondary Market Closed End Funds (CEFs) and Exchange Traded Products (ETPs)

This schedule below details the commission charged to you and received by us and your Financial Professional for trades of stocks, rights, and warrants.

Stock transactions, Closed End Funds and Exchange Traded Product transactions:

- **\$45 plus (\$0.02) per underlying share.**
- **Plus a fee shared with RBC Correspondent Services of \$3.00 per transaction for postage and handling.**

Option Rates Equity and Index

Options compensation is received as direct compensation, as described below.

- **\$45 per transaction plus \$2 per contract, (\$0.02) per underlying share.**
- **Plus a fee shared with RBC Correspondent Services of \$3.00 per transaction for postage and handling.**

Open End Mutual Funds.

- **\$21 per transaction**
- **Plus a fee shared with RBC Correspondent Services of \$3.00 per transaction for postage and handling.**

Debt Securities

For debt securities, including preferred securities and CDs, we may apply a charge (i.e., markup) of up to 5% of the amount of your secondary market transaction. Additionally, we may incur gains (or losses) on positions we hold in inventory in response to market movements or other events that impact the value of the securities we own.

Mutual Funds

We currently offer hundreds of mutual funds (fund) varying in share class structure and investment style. If you invest in mutual funds in a brokerage capacity, we receive direct and indirect compensation in connection with such mutual fund investments, as described below.

12b-1/Shareholder Service Fees

Annual 12b-1 fees, also known as trails, are paid by the fund and paid to us out of fund assets under a distribution and servicing arrangement to cover distribution expenses and sometimes shareholder service expenses that we may provide on the fund's behalf. Shareholder servicing fees are paid to respond to investor inquiries and provide investors with information about their investments. These fees are asset-based fees charged by the fund family. These fees range from 0.00% to 1.00%, but the majority of these fees are below 0.85%. These fees may be passed on to us and may in turn be passed on to your Financial Professional as a commission.

Front-end Sales Charge Fees/Contingent Deferred Sales Charges (CDSC)

Front-end sales charge fees may be charged and paid to us, including your Financial Professional, when you purchase a fund. The front-end sales charge is deducted from the initial investment on certain share classes. This charge normally ranges from 0.00% to 5.75%. Some purchases may qualify for a reduced front-end sales charge due to breakpoint discounts based on the amount of transaction and rights of accumulation. In addition, some purchases may qualify for a sales charge waiver based on the type of account, and/or certain qualifications within the account. You should contact your Financial Professional if you believe you are eligible for sales charge waivers.

CDSC is a charge you pay upon withdrawal of money from a fund prior to the end of the fund's CDSC period. CDSC charges range from 0.00% to 5.50%. CDSC periods can range from zero to seven years. This charge typically exists only on share classes that do not have a front-end sales charge. It is sometimes referred to as the back-end load. CDSCs are not charged when you purchase a fund. The fee charged will depend on the share class purchased by the investor. A CDSC is not passed on to your Financial Professional. You can find a description of the amount and payment frequency of all fees and expenses charged and paid by the fund in the fund's prospectus. Fees and expenses disclosed in the fund's prospectus are charged against the investment values of the fund.

Revenue Sharing

Our clearing firm offers a cash sweep program. This program permits you to earn a return on uninvested cash balances in your brokerage account by allowing cash balances to be automatically "swept" into a "Cash Sweep Vehicle," until such balances are otherwise required to satisfy obligations arising in your account. Our clearing firm charges a fee to maintain this account. This fee is shared with us.

Our clearing firm also charges a postage and handling fee on its confirmations of purchase and sales. This postage charge is shared with us.

If you maintain a margin account, our clearing firm charges interest for the amount borrowed. A portion of the interest charged may be shared with us.

Annuities

We are able to offer annuities consisting of fixed, fixed index, registered indexed linked, and variable annuities. Under arrangements with insurance companies, we, including your Financial Professional, receive commissions from the insurance companies for the sale of annuities, as well as trail commissions, and they are considered indirect compensation. We also often receive override commissions from companies who locate insurance company annuities for us. We routinely disclose these commissions on our annuity disclosure forms provided on your initial investment.

Commissions and trails paid to us vary by product type and may vary by insurance carrier. This compensation is separate from and in addition to compensation for other brokerage services and/or investment advisory services offered through Mack Investment Securities, Inc.

Market-Linked Investments Information

At this time, we do not offer investments known as structured products. Another name for these investments is market linked investments. We do offer, through our insurance affiliate Mack Investment Insurance Brokerage, products linked to market performance known as fixed indexed or registered indexed linked annuities. These products carry insurance company risk as assets are held by the chosen insurance companies.

Alternative Investments Information

Our firm may offer investments in direct participation programs such as oil and gas as well as real estate. These programs are normally for sophisticated investors and normally have substantial risks. Commissions are paid to us from your investment if we choose to represent one of these investments.

Unit Investment Trusts (UITs)

Our UITs consist of Equity and Fixed-Income UITs. We, along with your Financial Professionals, are compensated in ways that vary depending on the type and terms of the UIT portfolio selected. The types of fees received by us are disclosed via the prospectus issued by the UIT provider. Your Financial Professional can provide you a copy of the most recent prospectus. The UIT provider deducts fees as compensation from the proceeds available for investments for marketing and distribution expenses, which may include compensating us as described in each UIT prospectus.

Cash Sweep Program/Bank Deposit Sweep/Other Float Compensation

See above for similar program including our sharing arrangement with RBC Correspondent Services, our clearing firm.

Training and Education

We work closely with many product and service providers who provide training and education compensation to offset or reimburse us for costs incurred in conducting comprehensive training and educational meetings for our Financial Professionals. These meetings or events are held to educate Financial Professionals on product characteristics, business building ideas, successful sales techniques, suitability as well as various other topics. In addition, certain vendors provide free or discounted research or other vendor products and services, which can assist our Financial Professionals with providing services to the plan.

Likewise, from time to time, product providers will reimburse us for expenses incurred by individual branch offices in connection with conducting training and educational meetings, conferences, or seminars for Financial Professionals and participants. Also, Financial Professionals may receive promotional items, meals or entertainment or other non-cash compensation from product providers.

Although training and education compensation is not related to individual transactions or assets held in client accounts, it is important to understand that, due to the total number of product providers whose products are offered by us, it is not possible for all companies to participate in a single meeting or event. Consequently, those product providers that do participate in training or educational meetings, seminars or other events gain an opportunity to build relationships with Financial Professionals; these relationships could lead to sales of that particular company's products.

Operational Fees

Our clearing firm receives compensation for various operational services provided to you through a brokerage account. The fee schedule for these services is as follows:

Compensation for Termination of Services

Other than any contingent deferred sales charge for a fund (as described under the Mutual Funds section above, if applicable), IRA termination fees (when applicable), and account transfer fees, the firm would not receive any

additional compensation in connection with the termination of its services. If you have questions or need additional copies, contact your Financial Professional.

Brokerage – Excluded Advisory Assets

As described above, our brokerage services differ from our affiliate’s advisory services. However, in some instances we may allow an advisory client to trade what are referred to as “excluded assets” within their advisory services account. Excluded assets are not subject to our advisory program fees. Instead of our advisory fees, these excluded assets are subject to our standard brokerage charges when traded.

Conflicts of interest

Conflicts of interest exist when we provide brokerage services to you. A conflict of interest is a situation in which we engage in a transaction or activity where our interest is materially adverse to your interest. The mere presence of a conflict of interest does not imply that harm to your interests will occur, but it is important that we acknowledge the presence of conflicts. Moreover, our regulatory obligations require that we establish, maintain, and enforce written policies and procedures reasonably designed to address conflicts of interest associated with our recommendations to you.

Our conflicts of interest are typically the result of compensation structures and other financial arrangements between us, our Financial Professionals, our clients and third parties. We offer a broad range of investment services and products and we receive various forms of compensation from our clients, non-affiliated product providers and money managers, and other third parties as described above. Securities rules allow for us, our Financial Professionals, and our affiliates to earn compensation when we provide brokerage services to you. However, the compensation that we and our Financial Professionals receive from you varies based upon the product or service you purchase, which creates a financial incentive to recommend investment products and services that generate greater compensation to us.

We are committed to taking appropriate steps to identify, mitigate and avoid conflicts of interest to ensure we act in your best interest when providing brokerage recommendations to you. Below you will find additional information related to our conflicts of interest. This information is not intended to be an all-inclusive list of our conflicts, but generally describes those conflicts that are material to your brokerage relationship. In addition to this disclosure, conflicts of interest are disclosed to you in your account agreement(s) and disclosure documents, our product guides and other information we make available to you.

Compensation We Receive from Clients:

Transaction-based conflicts

In your brokerage account you pay certain fees (commissions and sales charges) in connection with the buying and selling of each investment product, including mutual funds, variable annuities, alternative investments, exchange traded funds, equity securities, and bonds. Where these fees apply, the more transactions you enter into, the more compensation that we and your Financial Professional receive. This compensation creates an incentive for us to recommend that you buy and sell, rather than hold, these investments. We also have an incentive to recommend that you purchase investment products that carry higher fees, instead of products that carry lower fees or no fees at all.

Markups and markdowns for principal transactions

When you buy or sell fixed income securities in a brokerage account, and in accordance with industry regulations, we typically impose a markup (increase) or markdown (decrease) in the price of transactions we execute on a principal basis. We are compensated based upon the difference (markup) between the price you pay for securities purchased from us and the price we sell such securities to you over the prevailing market price, or the difference (markdown) between the price you sell securities to us and the price we purchase such securities from you over the prevailing market price. We maintain policies and procedures reasonably designed to help ensure compliance with the markup and markdown industry rules.

Compensation We Receive from Third Parties:

Third-party payments we receive are based on new sales of investment products, creating an incentive for us to recommend you buy and sell, rather than hold, investments. In other cases, these payments are made on an ongoing basis as a percentage of invested assets, creating an incentive for us to recommend that you buy and hold investments (or continue to invest through a third-party manager or adviser).

The total amount of payments we receive varies from product to product, and varies with respect to the third-party investment management products we recommend. It also is separate from and in addition to the compensation we receive in connection with other products and services made available to you, including advisory services through our affiliated investment advisor firm. We have an incentive to recommend investment products and services that generate greater payments to us. This compensation generally represents an expense embedded in the investment products and services that is borne by investors, even where it is not paid by the Product Sponsor and not directly from the investment product or other fees you pay. The types of third-party compensation we receive include:

- **Revenue Sharing.** These payments are related to funds held at our clearing firm, RBC Correspondent Services. Money market sweep account fees, Insured Deposit program, and margin interest fees are shared by RBC Correspondent Services and we share these fees with our Financial Professional. Postage and handling fees are also shared by RBC Correspondent Services with our firm.
- **Trail Compensation.** Ongoing compensation from Product Sponsors is received by us and shared with our Financial Professionals. This compensation (commonly known as trails, service fees or Rule 12b-1 fees in the case of mutual funds) is typically paid from the assets of the investment product under a distribution or servicing arrangement and is calculated as an annual percentage of invested assets. The amount of this compensation varies from product to product. We have an incentive to recommend that you purchase and hold interests in products that pay us higher trails.

Additional Compensation from Product Sponsors and Other Third Parties

We and our Financial Professionals, associates, employees, and agents receive additional compensation from Product Sponsors and other third parties including:

- Gifts and awards, an occasional dinner or ticket to a sporting event, or reimbursement in connection with educational meetings or marketing or advertising initiatives, including services for identifying prospective clients.
- Payment or reimbursement for the costs associated with education or training events that are attended by our employees, agents, and Financial Professionals, and for conferences and events that we sponsor.
- Reimbursement from Product Sponsors for research and technology-related costs, such as those to build systems, tools, and new features to aid in servicing clients. Additionally, we and our affiliates receive compensation from Product Sponsors to provide aggregate sales data.

Note: The amount of these payments is not dependent or related to the level of assets you or any other of our clients invest in or with the Product Sponsor.

Product Share Classes

Some Product Sponsors offer multiple structures of the same product (e.g., mutual fund share classes) with each option having a unique expense structure, and some having lower costs to you as compared to others. We are incentivized to make available those share classes or other product structures that will generate the highest compensation to us.

Compensation Related to Proprietary Products

Brokerage recommendations can include a recommendation to invest in a product or service that is managed, issued or sponsored by us or our affiliates. We and our affiliates will receive additional compensation or economic benefits from investments by you in such products, including, but not limited to, management credits, service fees and similar

revenue sharing arrangements. The compensation related to these may be greater than similar products provided by third parties. Thus, we have an incentive to recommend investments in proprietary/affiliated products.

Compensation Related to Our Affiliates:

Mack Investment Insurance & Other Insurance Companies: Some of the Professionals of MIS are insurance agents of Mack Investment Insurance Brokerage (dba Mack Investment Securities, Inc., a licensed insurance agency). These Professionals may also be insurance agents for one or more insurance companies and as such, they receive separate, yet customary commission compensation therefore, this arrangement creates an incentive for some of our Professionals to recommend insurance products. Some of the Professionals of MIS are also insurance agents representing companies for fixed insurance products outside of the scope of Mack Investment Securities, Inc. Often, commissions received by these agents may not be shared with Mack Investment Insurance Brokerage Inc. or Mack Investment Securities, Inc. This arrangement creates an incentive for some of our Professionals to recommend fixed insurance products.

Compensation Received by Financial Advisors:

Financial Professionals are compensated in a variety of ways based on the percentage of revenue generated from sales of products and services to clients, including brokerage account activity. This compensation varies by the product or service associated with a brokerage recommendation. In addition to upfront-transaction based compensation, some products feature on-going residual or “trail” payments. Thus Financial Professionals are incentivized to recommend products that have higher fees as well as those with on-going payments.

A Financial Professional’s payout schedule (periodically adjusted by us at our discretion) may increase with production and asset levels. The same payout schedule is reduced when Financial Professionals discount certain client fees and commissions, or client relationship asset levels are below minimums established by the clearing firm or third party.

As a result, Financial Professionals have an incentive to provide brokerage recommendations that result in selling more investment products and services, as well as investment products and services that carry higher fees. Financial Professionals also have an incentive to provide brokerage recommendations to increase brokerage trading activity, and to reduce the amount of discounts available to you.

Financial Professionals have an incentive to recommend you rollover assets from a Qualified Retirement Plan (QRP) to a brokerage Individual Retirement Account (IRA) because of the compensation they will receive.

Brokerage accounts, unlike advisory accounts, do not feature an on-going fee based on assets under management. Financial Professionals are incentivized to recommend you transition your brokerage services account to an advisory account to generate on-going revenue where your brokerage account has minimal activity. Further, Financial Professionals are incentivized to recommend you transition your brokerage account to an advisory account after you have already placed purchases resulting in commissions and/or other transaction-based brokerage fees. We have controls established to identify and mitigate this risk. Financial Professionals also have an incentive to provide higher levels of service to those clients who generate the most fees.

Noncash compensation is provided to Financial Professionals in the form of education meetings and recognition trips. Portions of these programs is subsidized by external vendors and affiliates, such as mutual fund companies, insurance carriers, or money managers. Consequently, product providers that sponsor and/or participate in education meetings and recognition trips gain opportunities to build relations with Financial Professionals, which could lead to sales of such product provider’s products. Financial Professionals also receive promotional items, meals, entertainment, and other noncash compensation from product providers up to \$100 per year for gifts per vendor *and \$1,000 per year for meals per vendor.*

Other Financial Advisor Activities

Financial Professionals may be motivated to place trades ahead of clients in order to receive more favorable prices than their clients.

Financial Professionals who are transitioning through a succession plan may be incentivized to make brokerage recommendations designed to increase the value of their “book of business” through asset accumulation or brokerage trades that are not in your best interest. Financial Professionals who receive clients from a retiring Financial Professional are incentivized to meet growth goals and may make recommendations not in your best interest.

Internal campaigns and recognition efforts incentivize Financial Professionals to engage in activities to reach incentive goals.